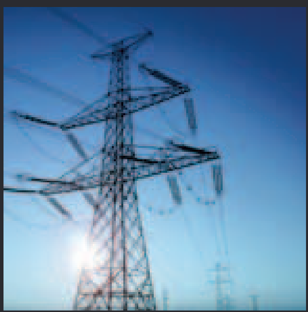
GCM RESOURCES

Poised to deliver



Annual Report & Accounts 2012

Who is GCM Resources?

GCM Resources plc (GCM), the AIM listed resource exploration and development company, has identified a world class coal resource of 572 million tonnes (JORC compliant) at the Phulbari Coal Project (the Project) in North-West Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the Project.

The Phulbari Coal Project

Benefits for Bangladesh

The Phulbari Coal Project would be the largest regional development project undertaken in Bangladesh.

Up to 4,000MW of power would be supported by the coal from the Project, helping alleviate the Bangladesh power crisis.

Additional electricity would bring significant development to Bangladesh, and help the country meet its Millennium Development Goals.

More than US$8 billion in revenue would be remitted to the Government over the Project's life and it would contribute 1% annually to Bangladesh's GDP.

The Project would provide a stimulus for economic development in one of Bangladesh's poorest regions. An estimated 17,000 jobs would be created due to the mine development. In addition, the increase in power generated is expected to significantly increase economic activity and thus create thousands more jobs. New industries could also be developed utilising the industrial mineral co-products from the mine.

Detailed plans are in place to support the local communities including new housing, schools, health centres and improved sanitation. There will also be training to ensure local people are in the best position to secure a job from the mining operation and associated service industries.

Agricultural production in the area will be bolstered through farmers receiving training, higher quality inputs (seeds and fertiliser), and year round water and electricity for irrigation.

Approximately 40,000 people (9,000 households) would be resettled over a ten year period. The Project would be of benefit to the whole of the country.

Benefits for investors

The Phulbari Coal Project has an in-situ mineable coal reserve of US$43 billion (based on a coal price of $90/t).

A combination of high quality coal, a large coal resource, thick seams, highly competitive average stripping ratio, low operating costs, an initial project life of 35 years and easy access to markets make Phulbari a world class project.

GCM is working to achieve a long term partnership with the Government of Bangladesh and the local community, which will ensure the Project's success.

The Company has taken steps to ensure the Project conforms to the latest Performance Standards set by the International Financial Corporations (IFC). This will ensure the Project develops in a responsible and sustainable way and deliver enduring benefits to all stakeholders.

GCM has an experienced management team. The Executive Directors have all held senior management positions in large mining operations developed and operated to the highest international standards. The Non-Executive Directors have a wealth of experience in financing and supporting mining companies through periods of significant growth.

Highlights

The Bangladesh Government has commenced restructuring the country's energy supply towards coal as the major source of power generation.

GCM has intensified its efforts in pursuing approval of the Phulbari Coal Project through further engagement with the local community and direct engagement with the Government.

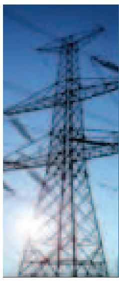
The Government has requested the local administration of the Phulbari area to support the Company's activities.

It has been reported in the Bangladesh media that the Coal Policy Technical Committee report has endorsed open pit mining at Phulbari.

GCM engaged international consultants Environmental Resources Management to review the Environmental and Social Impact Assessment of the Project in light of new IFC Performance Standards.

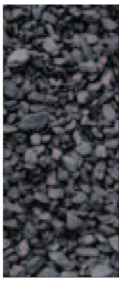
As at 30 June 2012 GCM held cash of £0.4 million (2011: £0.5 million) and liquid equity investments of £7.2 million (2011: £18.0 million).

GCM recorded a loss after tax of £3.3 million for the year ended 30 June 2012 (2011: profit of £2.3 million).



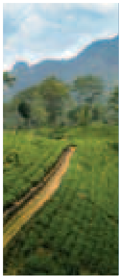
Overview

Overview



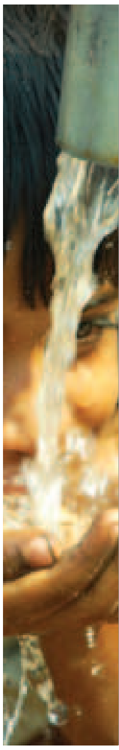
Business Review

Business Review



Governance

Governance



Group Accounts

Parent Company Financial Statements

Financial Statements

Chairman's Statement

"The immediate energy and power needs of the people and Government of Bangladesh can be met by mining Phulbari coal and constructing a coal-fired power plant at the mine"

Gerard Holden
Chairman

Strategy

The Board of GCM Resources has undertaken a thorough review of the current strategy to gain Project approval. We are focusing on direct engagement with the Government of Bangladesh and demonstrating how the Project can help meet the country's specific energy and power needs, particularly given the country is heading for an election at the end of 2013. At the same time we have opened up new channels of communication with the local community to ensure they are fully informed on the Project and that we understand and address their concerns.

During meetings with the Government, we have emphasised that coal produced from the Phulbari mine would be considerably cheaper than using imported coal to fuel electricity generation. We have also been discussing the advantages of positioning a large scale power plant at the mine site to simplify power generation and negate the need for expensive and complex coal handling and transportation.

Urgency

We believe it is in the best interests of the people of Bangladesh to utilise the country's coal resources without delay to provide an expansive, reliable supply of electrical power. The Phulbari Coal Project is ready to commence now and first coal could be delivered within 3 – 4 years which would suit the commissioning schedule of a large scale coal-fired power plant. All of the energy alternatives examined by the Bangladesh Government either take significantly longer and/or are prohibitively expensive.

Approval of the Project will deliver a step-change in electrical power generation. This will enable the country to realise the level of industrial development and ensuing job creation necessary to boost the economy, meet its Millennium Development Goals, and move to 'middle income' status.

Management Changes

I would like to take this opportunity to welcome Gary Lye to the Board. Gary led the Project's exploration and feasibility study and is the CEO of GCM's subsidiary in Bangladesh. Both Gary and Graham Taggart, Finance Director, continue to head up our in-country operations in Bangladesh and lead the direct engagement with the Government.

Steve Bywater stepped down as Chief Executive earlier this year. Following this departure, Steve Dattels and I have taken on a more active role in examining and developing strategic relationships, considering and reviewing the benefits of local partnerships and ensuring that practical and demonstrable progress is being made. Bill McIntosh remains the Technical Director and Greg James the Independent Non-Executive Director.

Financials

The Group recorded a loss after tax of £3.3 million for the year ended 30 June 2012 (2011: profit after tax of £2.3 million). Included in the loss was £3.7 million of non-cash expenses. GCM received a dividend of £1.5 million during the year and made a profit of £1.1 million on sale of investments.

The value of GCM's listed equity investments have decreased significantly during the year in line with general market conditions for junior miners, and were valued at £7.2 million as at 30 June 2012 (2011: £18.0 million). Over the next twelve months the Company will be looking to raise funds and reduce costs on non-core activities.

Corporate Responsibility

Underlying everything we do at GCM is our commitment to corporate and social responsibility and the principles of integrity and fairness. This is reinforced by our compliance with the Equator Principles, based on the policies and standards of the World Bank and the International Finance Corporation (IFC).

In January this year the IFC released an update of its *Performance Standards on Social and Environmental and Access to Information Policy*. To ensure continued compliance GCM engaged international consultants Environmental Resources Management (ERM) to review the Project's Environmental and Social Impact Assessment in light of these new standards and work has commenced to address the gaps identified.

Conclusion

The immediate energy and power needs of the people and Government of Bangladesh can be met by mining Phulbari coal and constructing a coal-fired power plant at the mine. Our Project is the country's best option. We remain focused on achieving Project approval however the timing remains in the hands of the Government of Bangladesh.

We have taken steps to ensure our development plans remain current so that we are well positioned to develop the Project once approval is received.

T. Gerard Holden

Gerard Holden

Phulbari Review

"Not only could the Phulbari mine support up to 4,000MW of power generation, the power produced using domestic coal would also be considerably cheaper than that using imported coal"

Gary Lye
Executive Director

Acceptance of Coal

GCM has long been advocating the use of coal for power generation in Bangladesh. We have maintained that utilising Bangladesh's own coal is the fastest and most economically sustainable means of alleviating the energy and power crisis faced by the country.

The Government of Bangladesh now accepts coal fired power plants as integral to the country's future power generation. The Government's Power System Master Plan (supported by the Japan International Cooperation Agency and released in January 2011) places significant reliance on coal in the expansion of Bangladesh's power sector to meet anticipated demand. According to this Plan, 50% of electricity will be generated from coal by 2030 (19,000MW).

Currently the installed capacity of coal-fired power plants in Bangladesh is 250MW. The step-change from 250MW to 19,000MW in 18 years translates to an enormous increase in demand for high quality thermal coal. The Project will contribute significantly to meeting this need.

Restructuring the Power Industry

The Government has commenced the long process of restructuring the electricity industry towards coal fired power plants. During the last 12 months the Government has either awarded contracts or been in discussions for the development of coal-fired power plants to generate about 5,000MW. Approximately 15 million tonnes of high quality thermal coal would be needed to supply these power plants every year.

These contracts have not been without issues, and the requirement that coal should be sourced from outside the country continues to create challenges. As the life of a coal fired power plant is at a minimum 25 years, in order it to be viable a reliable source of coal must be contracted under a long term coal supply agreement. It would also require adequate coal handling and robust transport facilities which do not currently exist in Bangladesh. Domestic coal is best placed to supply these coal fired power plants and enable the Government to deliver the increase in power generation set out in its Power Sector Master Plan.

Advocacy

Following the strategic review undertaken by the Board earlier in the year, GCM has intensified its efforts to achieve Project approval. Our message to the Government has particularly focused on the key role that the Project would play in meeting the demand for Bangladesh's power generation.

Not only could the Phulbari mine support up to 4,000MW of power generation, the power produced using domestic coal would also be considerably cheaper than that using imported coal.

Furthermore, installing a large scale coal-fired power plant at the mine will greatly reduce the need for expensive shipping, coal handling, transportation and associated infrastructure.

We have also been stressing the associated benefits of utilising the Phulbari coal resource, including: the estimated 17,000 jobs that would be created, the US$8 billion revenue the Government is expected to receive over the life of the Project, the anticipated increase in the country's gross domestic product by 1% as a direct result of the Project, and the development of North-West Bangladesh including new industries established from the Phulbari mine's co-products.

In meetings with the Government we explained the potential impacts of the mine and the management plans in place to minimise them. We discussed the importance we place on establishing and sustaining a social licence and reiterated our commitment to developing the mine in accordance with the highest international and national social and environmental standards. We stressed that the Project's Scheme of Development and Feasibility Study is based on 230 separate detailed study reports. Of these, 27 specifically deal with Water Management which is a key success factor for the Project and the Government of Bangladesh.

Outlook

Our aim is to receive Project approval and then to commence mine development and the associated community programmes as soon as possible. However, approval of the Project remains in the hands of the Government.

As the Government searches for solutions to the country's power crisis the Phulbari coal deposit has become far too important to the people of Bangladesh for it to remain unutilised.

Gary Lye

Corporate Responsibility

The effective management of social and environmental risks is an essential component of any successful mining project.

Overview

The Board and senior management are committed to developing the Phulbari Coal Project in alignment with the highest international and national social and environmental standards.

GCM undertakes its activities with integrity and fairness, and recognises the importance of partnering and engaging with all relevant stakeholders throughout project operations and planning.

For any mining project to be viewed as successful it is vital that the impacts on the local people and environment are managed effectively. GCM recognises the Project's sustainability is synonymous with its ability to deliver significant social and economic benefits.

We are aware that certain non-governmental organisations continue to campaign against the development of the Phulbari Coal Project. Unfortunately, many of these organisations have declined to engage with the Company in any constructive manner which would allow open dialogue to address concerns. There have been numerous instances where erroneous statements were made with no apparent fact checking. Our management team remains available to engage with groups interested in a constructive dialogue.

Community

The Phulbari Coal Project is located in the Dinajpur district, in North West Bangladesh. The Company continues to open up new channels of communication with the local community. By developing and enhancing relations within the region we seek to explain the benefits and impacts of the Project as well as understand the views of the local community.

During 2012 a series of studies have been commissioned to assess the latest expectations and concerns of the local community. These have included focus group discussions and agriculture improvement workshops with farmers across the Project area, with the support of the local administration.

The development of the Project would ultimately result in the resettlement of approximately 12,000 people (3,000 households) in the Phulbari Municipality area and 28,000 people (6,000 households) in surrounding villages. Resettlement would occur over a period of ten years. GCM has committed to ensuring that no one affected by the Project will be worse off, and that each person will be fairly and fully compensated. To this end, we have developed a comprehensive resettlement programme which recognises the rights of all affected people to safeguard their specific needs and issues.

A western extension to Phulbari Township would be constructed as well as a number of resettlement villages. These new sites would have improved services and infrastructure including electricity, sanitation, reticulated water supply and storm water drainage. There would also be new housing, schools, community facilities and religious and medical centres. An estimated 17,000 new jobs would also be created as a consequence of developing the Project.

In addition, the provision of year-round irrigation, improved inputs (assistance with sourcing better quality fertiliser and seeds appropriate for local conditions) and training of farmers will enable production of an additional crop per year and an increased yield per crop. Rice production alone is expected to more than double as a result of implementing the Company's Agricultural Improvement Plan.

GCM seeks to build and maintain a constructive relationship with the affected community to ensure a successful long-term project and the greatest development potential for the people of Bangladesh.

Environment

GCM has conducted extensive studies into the potential impacts of mining at the Phulbari Coal Project as well as associated activities. Over the 35 year life of the Project, the mine footprint will cover a total of 5,192 hectares. However, at any one time only one third of this will be under active mining, allowing cultivation to continue for most of the land while the mine is in operation. Rehabilitation will be progressive over the entire Project life as mined areas and overburden dump areas are completed. In the final land use plan the mine footprint will be comprised of approximately 1,946 hectares of native forest, 2,550 hectares of high value agricultural pursuits and 696 hectares of fresh water lake.

Overall water quality and availability for people in the affected area will be improved. The Project's Water Management Plan ensures that the clean water extracted for mining purposes remains a community asset which will be distributed for irrigation, village and town reticulated water supplies, local industries and the environment. Any surface water to be released from the Project site will be monitored and treated (as necessary) to ensure it complies with international and local environmental standards.

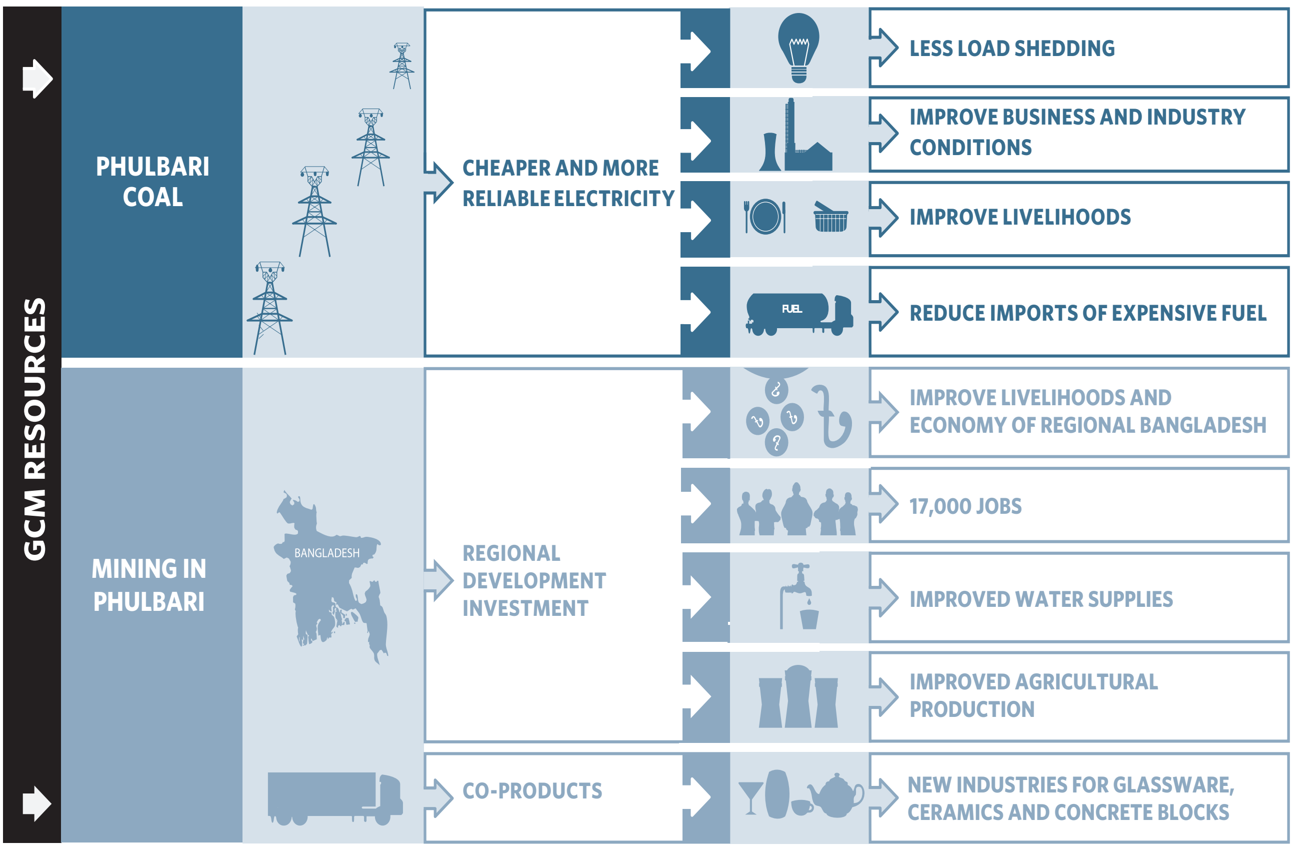
Standards

Since 2009 GCM has been a signatory to the UN Global Compact (UNGC), the world's largest voluntary corporate responsibility initiative. Signatories of the UNGC align their operations and strategies with ten universally

accepted principles in the areas of human rights, labour, environment and anti-corruption. GCM is a founder member of the Bangladesh network and also a member of the long-established UK network. GCM is committed to complying with the Equator Principles, which are based on the social and environmental standards of the International Finance Corporation (IFC). Our Feasibility Study, Environmental and Social Impact Assessment (ESIA) and associated Management Plans were all created in line with the Equator Principles and are being reviewed to ensure they continue to evolve in line with current developments and best practices.

GCM is also committed to complying with the policies and standards of the IFC. In January 2012 the IFC released an update of its *Performance Standards on Social and Environmental and Access to Information Policy.* GCM has engaged international consultants Environmental Resources Management to review the Project's ESIA in light of these new standards and work has commenced to address the gaps identified.

Generating positive benefits for Bangladesh



Board of Directors

The Executive Directors of GCM have all held senior management positions in large coal mining operations developed and operated to the highest international standards. In addition, the Non–Executive Directors have a wealth of experience in financing and supporting mining companies through periods of significant growth. Collectively they have over 150 years of international experience in mine development, mine management and project finance. Upon approval, the existing GCM team will be augmented as necessary to support project development.

Executive Directors

Bill McIntosh *(Executive Director – Technical)* Bill is a widely respected mining engineer with more than 40 years' international experience during which he has played key roles in mining projects in Colombia, Indonesia, Zimbabwe, Argentina, India and Australia. He has worked in Asia for more than ten years including as General Manager – Mining and Acting Managing Director for PT Kaltim Prima Coal, an open pit mining operation in Indonesia with annual production of over 30 million tonnes of coal at this time. Bill has a mining engineering degree from the University of Melbourne and an MSc in Mining from Queen's University in Canada. He is a member of the Australasian Institute of Mining and Metallurgy as well as being a Chartered Professional (Management).

Graham Taggart *(Finance Director and Company Secretary)* Graham has more than 30 years' experience in the resources industry, mainly with Rio Tinto. Prior to joining GCM, Graham was Chief Financial Officer and Company Secretary for Rio Tinto Coal Australia, a group consisting of seven mining operations producing over 60 million tonnes of coal per year. He was previously General Manager – Commercial and Chief Financial Officer for PT Kaltim Prima Coal (annual production over 20 million tonnes of coal at the time) and Director of Finance for PT Kelian Equatorial Mining (annual production of 500,000 ounces of gold) both Indonesia based. Graham is a qualified Chartered Accountant.

Gary Lye *(Executive Director)* Gary is the Chief Executive Officer of GCM's subsidiary, Asia Energy Corporation (Bangladesh) Pty Ltd and has been with the Phulbari Coal Project since January 2004. Gary led the exploration programme and Feasibility Study. He is a qualified geologist and geotechnical engineer with a Master's Degree in Rock Mechanics from the Royal School of Mines in London and has over 39 years' experience in the mining industry. Gary previously held senior mining positions with several leading mining companies. This included roles as Strategic Mine Development Manager with Kalgoorlie Consolidated Gold Mines at their Super Pit operations in Kalgoorlie, Western Australia, and as Manager of Mining Research for CRA in Perth, Western Australia.

Non–Executive Directors

Gerard Holden *(Non–Executive Chairman)* Prior to joining GCM as Chairman in 2006 Gerard had worked for over 20 years for Barclays Capital during which, as Managing Director and Global Head of Mining and Metals, he was instrumental in building Barclays Capital into a leading position in the Mining and Metals community around the world. Gerard provides advisory services to the global natural resources sector. Gerard has a BSc in Chemical Engineering from University College London and he is an Associate of the Chartered Institute of Bankers.

Stephen Dattels *(Non–Executive Director)* Stephen has founded and financed a number of mining ventures including Uramin Inc. which was sold in July 2007 for $2.5 billion. Previously he was an executive at Barrick Gold Corporation during its formative years when it grew from a capital base of $10 million to a market capitalisation of $2 billion when he left in early 1987. Stephen has a Bachelor of Arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard University. He is the Executive Chairman of Polo Resources Limited which owns a 29.8% interest in GCM and Non–Executive Co–Chairman of Regent Pacific Group Limited.

Greg James *(Non–Executive Director)* Greg was previously CEO of Central Rand Gold Limited including the period of significant growth leading up to its listing on the London Stock Exchange in November 2007. Previously he held a number of roles with Glencore International AG including Chief Financial Officer of its Coal Division. In addition to his commercial expertise he also has experience of developing comprehensive community programmes and managing relationships with a wide range of stakeholders.

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2012.

Principal activities

GCM Resources plc (GCM) was incorporated as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The Company's principal activity, through its subsidiaries, is the development of the Phulbari Coal Project in Bangladesh.

Business review

Phulbari Coal Project

A detailed review of progress on the Phulbari Coal Project is included in the Phulbari Review on page 3.

Financial resources

As at 30 June 2012 GCM held £353,000 in cash and £7,228,000 in listed equity investments (2011: £547,000 cash, £18,000,000 investments).

Corporate responsibility

GCM is committed to undertaking its activities in accordance with the highest international social and environmental as well as operational standards. For detailed information please refer to page 4.

Financial review

The Group recorded a loss after tax of £3,304,000 for the year ended 30 June 2012 (2011: profit after tax of £2,288,000). During the year GCM sold investments at a profit of £1,107,000, and received a cash dividend from Polo Resources Limited of £1,496,000.

A number of significant non–cash charges were incurred during the year. A share based payment charge of £744,000 was recognised due to the modification of options as well as the issue of new options during the year. An impairment charge of £849,000 was recorded during the year in relation to the decline in the market value of listed equity investments held by the Group. In addition the tax expense of £2,138,000 is largely a result of de–recognition of deferred tax assets.

Capitalised evaluation expenditure relating to the Phulbari Coal Project was £1,670,000 for the year ended 30 June 2012 (2011: £3,023,000).

Dividends

The Directors do not recommend the payment of a dividend.

Going concern

The Group's activities are funded by cash and the realisation of listed equity investments held. However the resources available are subject to uncertainty due to the possible movement in share prices of those investments by the time they are realised, which represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. In addition the Company is currently in negotiations to obtain further equity funding.

Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Coal Project have been prepared and, taking into account a number of factors including the liquidity and volatility of GCM's listed investments as well as prospective funding, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Refer to note 1 for further information.

Future outlook

The Group is fully committed to the Phulbari Coal Project and is directly engaging with the Government of Bangladesh and other stakeholders to move the Project forward. A detailed review of progress on the Phulbari Coal Project is included in the Phulbari Review on page 3. Upon approval of the Project the necessary funding will be sought, and the mine developed.

Principal risks and uncertainties

The Group operates in the mining industry, and in a politically changing and unstable region. These both carry inherent risks associated with them. Not all can be controlled or mitigated by the Group, but at times may have an impact on its performance and reputation.

The Directors believe that the following, although not exhaustive, to be the key risks facing the Group.

Political environment in which we are operating and investing

The Group is awaiting approval of the Scheme of Development for the Phulbari Coal Project (the Project). An inherent risk associated with this is timing of and/or gaining government approval.

Directors' Report (continued)

Exploration and project development
The Group continues to evaluate and pursue approval for the Phulbari Coal Project. There is no guarantee that existing and future expenditures will be recouped. Failure to do so could have a materially adverse effect on the Group's results.

Existing investments
The market values of investments held by the Group are potentially affected by the movement in the share price of those investments as well as the underlying performance and management of those companies. The Board regularly monitors the performance of the Group's investments.

Health, safety, social and environmental
The Group is committed to developing the Project and meeting the highest international social and environmental standards as detailed in our Corporate Responsibility section on page 4.

Increasing requirements and new regulations could increase costs and therefore adversely affect the economics of the Project and financial results of the Group.

Directors

The Directors who served during the year:

	Appointed	Resigned
Executive Directors		
Steve Bywater	10 February 2006	31 March 2012
Graham Taggart	3 April 2006	–
Bill McIntosh	20 December 2004	–
Gary Lye	23 April 2012	–
Non–Executive Directors		
Gerard Holden	9 May 2006	–
Stephen Dattels	28 April 2009	–
Greg James	25 August 2009	–
David Weill	21 July 2011	23 July 2012

Amounts paid for services of Directors for the year ended 30 June 2012 were:

	2012 £	2011 £
Executive Directors		
Steve Bywater (1)	**667,500**	549,120
Graham Taggart	**297,492**	304,441
Bill McIntosh	**220,833**	222,088
Gary Lye	**45,289**	–
Non–Executive Directors		
Gerard Holden	**134,804**	84,804
Stephen Dattels	**53,800**	28,800
Greg James	**71,600**	85,328
David Weill	**115,421**	–
	1,606,739	1,274,581

(1) The amount paid for the services of Steve Bywater for the year ended 30 June 2012 includes a payment of £267,000 in accordance with a compensation agreement.

The Directors who held office at 30 June 2012, or on date of resignation, had the following interests in the ordinary shares and options of the Group:

	2012 Shares	2012 Conditional shares	2012 Options	2011 Shares	2011 Conditional shares	2011 Options
Executive Directors						
Steve Bywater	–	–	1,000,000 (1)	–	400,000	1,000,000
Graham Taggart	–	140,000	500,000 (1)	–	140,000	500,000
Bill McIntosh	25,000	160,000	80,000 (2)	25,000	160,000	–
Gary Lye	–	170,000	120,000 (1)	–	170,000	120,000
Non–Executive Directors						
Gerard Holden	96,666	100,000	1,000,000 (3)	96,666	100,000	200,000
Stephen Dattels	–	100,000	500,000 (4)	–	100,000	100,000
Greg James	60,000	–	–	36,250	–	–
David Weill	25,000	–	800,000 (2)	–	–	–

(1) Exercise price of £1.00, expiry date 29 November 2014.

(2) Exercise price of £1.00, expiry date 30 April 2015.

(3) 200,000 options with an exercise price of £1.00, expiry date 29 November 2014. 800,000 options with an exercise price of £1.00, expiry date 30 April 2015.

(4) 100,000 options with an exercise price of £0.66, expiry date 3 years from vesting date. 400,000 options with an exercise price of £1.00, expiry date 30 April 2015.

Refer to note 18 of the financial statements for further information on conditional shares and options.

Corporate governance

The Directors consider the corporate governance procedures are appropriate relative to the size and stage of development of the Group.

Code of Practice

The Listing Rules of the Financial Services Authority incorporate the UK Corporate Governance Code which sets out the principles of Good Governance and the Code of Best Practice for listed companies. Although the Company is not required to comply with the Code, the Board consider its principles, while also being mindful of the Company's size and activities, when assessing the adequacy of its Corporate Governance procedures.

Board composition

The Board consists of three executive directors and three non–executive directors, including the Chairman Gerard Holden. Each of the executive directors has a wealth of minerals exploration and development experience. The non–executive directors similarly have considerable experience in minerals industry, finance and corporate development.

The Board considers Greg James to be independent.

The Board considers that its current composition is satisfactory, taking into account the size and scale of the Group's activities and that no one individual or group dominates the decision making process. The composition of the Board, including the balance between executive and non–executive directors will continue to be reviewed to ensure that the Board continues to have the appropriate structure and skills to meet the needs of the Group as its business develops.

The Board meets regularly through the year, providing effective leadership and overall management of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the Group's forecast and budget, major capital expenditure, risk management policies and approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner prior to Board meetings. The Board delegates certain of its responsibilities to the Board Committees which have clearly defined terms of reference and are listed below. For the 12 months ended 30 June 2012 the Board met five times. Greg James and William McIntosh attended four meetings and the remaining directors attended all the meetings for which they were eligible.

All directors have access to the advice and services of the Group's solicitors and the Company Secretary. Any Director may take independent professional advice at the Group's expense in the furtherance of their duties.

Retirement by rotation

One third of directors are required to retire at every Annual General Meeting (AGM) of the Company by rotation and may be re–elected by ordinary resolution.

Directors' Report (continued)

The Audit Committee
The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee consists of Greg James and Gerard Holden, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

The Remuneration Committee
The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It consists of Greg James and Gerard Holden. Non–Executive Directors' remuneration is considered by the Board. Financial packages for the Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another Company.

The Nominations Committee
The Nominations Committee makes recommendations to the Board for the recruitment of Directors and senior executives. The Nominations Committee consists of Greg James and Gerard Holden.

Internal controls
The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Further reviews of internal controls will be undertaken as the Group develops to ensure that they remain adequate and effective.

Risk management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation and monitoring risks through regular reviews by senior management.

Business risk
The Board regularly evaluates and reviews business risks when reviewing project timelines. The types of risks reviewed include:

- Regulatory and compliance obligations
- Environmental requirements
- Legal risks relating to contracts, licences and agreements
- Risks associated with existing investments
- Insurance risks – the Group holds insurance coverage for potential employee and liability claims
- Political risks arising from operating in Bangladesh – refer to note 1 for further information

Treasury policy
The Group currently finances its operations through equity and holds its cash and investments to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer to note 19.

Capital management
Capital comprises cash and listed equity investments. The Group does not hold loans, financial leases, or other non–current finance obligations.

	2012 £000	2011 £000
Cash	**353**	547
Listed equity investments	**7,228**	18,000
Capital	**7,581**	18,547

Cash and the realisation of listed equity investments have been used to finance existing activities. Refer to note 1 for an update of the value of listed equity investments as at the date of approval of the financial statements. Upon approval of the Phulbari Coal Project funding will be sought from a mix of equity and debt sources. The objective of the Group's capital management will be to manage gearing levels and capital ratios in order to support its business, maximise shareholder value and maintain a healthy capital position. The Group incurs expenditure in a number of currencies including UK pounds, Bangladesh Taka, US dollars and Australian dollars. The Group has a policy of not hedging currency exposures.

Relations with shareholders

The Board attaches great importance to maintaining good relationships with its shareholders. The Group's activities are detailed in the Annual Report and Financial Statements, the Interim Report and market announcements. Market sensitive information is always released to all shareholders concurrently in accordance with stock exchange rules. The AGM provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Group maintains a corporate website where information on the Group is regularly updated and all announcements are posted.

Creditor payment policy

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. As at 30 June 2012 the Company and Group had an average of 30 days purchases outstanding in creditors.

Website disclosure

The Group has a website www.gcmplc.com on which statutory information, press releases and background information on the Group and its operations can be found.

Annual General Meeting (AGM)

The Notice of the Company's AGM will be distributed to shareholders together with the Annual Report. Full details of the Resolutions proposed at that meeting can be found in the Notice.

Auditors

The auditors to the Group, Ernst and Young LLP, have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 8. Having made enquiries of fellow Directors and of the Group's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the financial performance and cash flows of the Group for that period. In preparing these Group financial statements, the Directors are required to:

- select suitable accounting policies in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board,

T. Gerard Holden

Gerard Holden
Chairman

21 November 2012

Consolidated Income Statement

For year ended 30 June

	Notes	2012 £000	2011 £000
Operating expenses			
Exploration and evaluation costs		**(596)**	(241)
Share based payments	18	**(744)**	(2)
Administrative expenses		**(1,582)**	(1,464)
Operating (loss)	3	**(2,922)**	(1,707)
Exceptional items	6	**258**	1,696
Finance revenue	7	**1,498**	2,256
(Loss)/profit before tax		**(1,166)**	2,245
Taxation	8	**(2,138)**	43
(Loss)/profit for the year		**(3,304)**	2,288
(Loss)/profit per share			
Basic (pence per share)	9	**(6.5p)**	4.5p
Diluted (pence per share)	9	**(6.5p)**	4.2p

Consolidated Statement of Comprehensive Income

For year ended 30 June

	2012 £000	2011 £000
(Loss)/profit for the year	**(3,304)**	2,288
Other comprehensive income		
Net gain/(loss) on revaluation of available-for-sale financial assets	**(8,646)**	(2,830)
Transfer to income statement: sale of available-for-sale financial assets	**(1,107)**	(497)
Transfer to income statement: impairment of available-for-sale financial assets	**849**	–
Income tax relating to components of other comprehensive income	**2,354**	1,149
Total comprehensive (loss)/income	**(9,854)**	110

Consolidated Statement of Changes in Equity

For year ended 30 June

	Share capital £000	Share premium account £000	Share based payments not settled £000	Net movement in available-for-sale investments £000	Accum-ulated losses £000	Total £000
Balance at 1 July 2010	5,103	44,184	1,344	10,218	(9,930)	50,919
Total comprehensive income	–	–	–	(2,178)	2,288	110
Shares issued during the year	2	33	–	–	–	35
Share based payments	–	–	461	–	2	463
Balance at 30 June 2011	5,105	44,217	1,805	8,040	(7,640)	51,527
Total comprehensive loss	–	–	–	(6,550)	(3,304)	(9,854)
Shares issued during the year	5	29	–	–	–	34
Share based payments	–	–	(489)	–	744	255
Balance at 30 June 2012	**5,110**	**44,246**	**1,316**	**1,490**	**(10,200)**	**41,962**

Consolidated Balance Sheet

As at 30 June

	Notes	2012 £000	2011 £000
Current assets			
Cash and cash equivalents	10	**353**	547
Receivables	11	**303**	685
Total current assets		**656**	1,232
Non–current assets			
Property, plant and equipment	12	**66**	79
Intangible assets	13	**34,458**	32,788
Financial assets	14	**7,228**	18,000
Total non–current assets		**41,752**	50,867
Total assets		**42,408**	52,099
Current liabilities			
Payables	15	**(446)**	(356)
Total current liabilities		**(446)**	(356)
Non–current liabilities			
Deferred tax liabilities	8	**–**	(216)
Total non–current liabilities		**–**	(216)
Total liabilities		**(446)**	(572)
Net assets		**41,962**	51,527
Equity			
Share capital	17	**5,110**	5,105
Share premium account	17	**44,246**	44,217
Other reserves	17	**2,806**	9,845
Accumulated losses		**(10,200)**	(7,640)
Total equity		**41,962**	51,527

Gerard Holden
Chairman

21 November 2012

Consolidated Cash Flow Statement

For year ended 30 June

	Notes	2012 £000	2011 £000
Cash flows used in operating activities			
(Loss)/profit before tax		**(1,166)**	2,245
Adjusted for:			
Exceptional items		**(258)**	(1,696)
Finance revenue		**(1,498)**	(2,256)
Share based payments		**744**	2
Other non–cash expenses		**270**	5
		(1,908)	(1,700)
Movements in working capital:			
Decrease in operating receivables		**69**	36
Increase/(decrease) in operating payables		**49**	(49)
Cash used in operations		**(1,790)**	(1,713)
Interest received		**2**	12
Net cash used in operating activities		**(1,788)**	(1,701)
Cash flows from/(used in) investing activities			
Payments for property, plant and equipment		**(7)**	(6)
Proceeds from sale of property, plant and equipment		**–**	9
Payments for intangible assets		**(2,368)**	(2,776)
Proceeds from sale of subsidiary		**–**	891
Proceeds from sale of investments		**2,439**	960
Dividends received		**1,496**	2,244
Net cash generated from/(used in) investing activities		**1,560**	1,322
Cash flows from financing activities			
Issue of ordinary share capital		**34**	35
Net cash from financing activities		**34**	35
Total decrease in cash and cash equivalents		**(194)**	(344)
Cash and cash equivalents at the start of the year		**547**	891
Cash and cash equivalents at the end of the year	10	**353**	547

Notes to the Consolidated Financial Statements

1. Accounting policies

GCM Resources plc is domiciled in England and Wales, was incorporated in England and Wales as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The financial report was authorised for issue by the Directors on 21 November 2012, and the Consolidated Balance Sheet was signed on the Board's behalf by Gerard Holden.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 June 2012 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2012.

The functional and presentational currency of each of the entities in the Group is pounds sterling, and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

Political and economic risks

The principal asset is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Group's principal project relates to thermal coal and semi-soft coking coal, the markets for which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

GCM, through its subsidiaries, is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. The Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

In accordance with the terms of the Contract, GCM submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval from the Government of Bangladesh is necessary to proceed with development of the mine. GCM continues to await approval.

The Group has received no notification from the Government of Bangladesh of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the intangible mining assets. The Directors consider that it is appropriate to continue to record the intangible mining assets at cost, however if for whatever reason the Scheme of Development is not ultimately approved, the Group would impair all of its intangible mining assets.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations, other than those disclosed in note 16. As at 20 November 2012, GCM held cash of £369,000 and listed equity investments of £2,476,000. For at least the next twelve months, the Group's activities will be funded by cash and the realisation of listed equity investments held. However the resources available are subject to uncertainty due to the possible movement in share prices of those investments by the time they are realised, which represents a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. In addition the Group is in discussions to obtain further equity funding.

Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Coal Project have been prepared and, taking into account a number of factors including the liquidity and volatility of GCM's listed investments as well as prospective funding, the Directors have satisfied themselves that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would be required if the Group was unable to continue as a going concern.

Use of assumptions and estimates

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Intangibles

When intangibles are tested for impairment, estimates are used to determine the expected net return on investment. The estimated return on investment takes into account estimated recoverable reserves, coal prices, development and production costs, capital investment requirements, discount rates and environmental and social costs among other things.

Share based payments
Note 18 outlines the significant assumptions made when accounting for options and conditional shares. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to the income statement.

Basis of consolidation
The Group financial statements consist of the consolidated financial statements of the Company and entities controlled by the Company (its subsidiaries).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in preparation of the consolidated financial statements are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- buildings 7 – 40 years
- plant and equipment 3 – 15 years
- vehicles 5 – 7 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Intangible assets
Acquired intangible assets, are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives.

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis in accordance with IFRS 6.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and mining of the area of interest, or by its sale; or

(ii) activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing or planned for the future.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Impairment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes to the Consolidated Financial Statements (continued)

Financial assets

Financial assets are classified in accordance with IAS 39. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

The measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified as financial assets at fair value through profit or loss, held-to-maturity assets, or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised, or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair values

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

The fair value of financial instruments is determined and disclosed using the following hierarchy of valuation techniques:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Inputs for the asset or liability that are not based on observable market data

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the income statement. An available-for-sale investment is impaired when there is a significant or prolonged diminution in fair value of the asset.

Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Income tax
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised outside profit and loss, in which case it is recognised in other comprehensive income or directly in equity as appropriate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency transactions
Transactions in currencies other than pounds sterling are recorded at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Share based payments
The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) or to conditions not related to performance or service (non-vesting conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition or non-vesting condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

New standards and interpretations applied
IAS 24 Related Party Transactions (Amendment): The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (Amendment).

Notes to the Consolidated Financial Statements (continued)

New standards and interpretations not applied
IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

	Effective date	Adoption date
International Accounting Standards (IAS / IFRSs)		
IAS 1 Financial Statement presentation – Presentation of Items of Other Comprehensive Income	1 July 2012	1 July 2012
IAS 19 Employee Benefits (Amendment)	1 January 2013	1 July 2013
IFRS 13 Fair Value Measurement	1 January 2013	1 July 2013
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2013	1 July 2013
Improvements to IFRSs (2009 – 2011)	1 January 2013	1 July 2013
IAS 27 Separate Financial Statements	1 January 2014	1 July 2014
IAS 28 Investments in Associates and Joint Ventures	1 January 2014	1 July 2014
IFRS 10 Consolidated Financial Statements	1 January 2014	1 July 2014
IFRS 11 Joint Arrangements	1 January 2014	1 July 2014
IFRS 12 Disclosure of interests in other entities	1 January 2014	1 July 2014
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015	1 July 2015
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 July 2013

The Directors do not anticipate that the adoption of the above standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

2. Segment analysis

The Group operates in one segment being the exploration and evaluation of energy related projects. The only significant project within this segment is the Phulbari Coal Project (the Project) in Bangladesh. "Other" non-current assets are primarily utilised to provide on-going funding to the Project. For segmental reporting, all central costs are allocated to the Project.

Geographic analysis of non-current assets

	Bangladesh £000	Other £000	Total £000
2012			
Property, plant and equipment	56	10	66
Intangible assets	34,458	–	34,458
Financial assets	–	7,228	7,228
	34,514	**7,238**	**41,752**
2011			
Property, plant and equipment	72	7	79
Intangible assets	32,788	–	32,788
Financial assets	–	18,000	18,000
	32,860	18,007	50,867

3. Operating loss

	2012 £000	2011 £000
The operating loss is stated after charging:		
Directors' remuneration (1)	**734**	653
Share based payments (2)	**744**	2
Other staff costs (3)	**266**	229
Exploration and evaluation costs	**596**	241
Operating lease rentals (4)	**44**	28
Depreciation of property, plant and equipment (5)	**4**	8
Exchange differences	**(7)**	(47)

(1) Total Directors' remuneration for 2012 financial year was £1,607,000 of which £734,000 was expensed in administrative expenses, £197,000 expensed in exploration and evaluation costs and £676,000 was capitalised (2011: £622,000 capitalised).

(2) Total movement in the share based payment provision for 2012 was £255,000, which was made of £744,000 expensed less a £489,000 credit to intangibles (2011: £461,000 capitalised).

(3) Other staff costs for 2012 financial year were £675,000 of which £266,000 was expensed and £409,000 capitalised (2011: £415,000 capitalised).

(4) Operating lease rentals for 2012 financial year were £447,000 of which £44,000 was expensed and £403,000 capitalised (2011: £390,000 capitalised).

(5) Total depreciation for 2012 was £20,000 of which £4,000 was expensed and £16,000 capitalised (2011: £33,000 capitalised).

During the year Phulbari-related exploration and evaluation costs amounting to £596,000 were expensed in accordance with the Group's accounting policy on exploration and evaluation costs (2011: £241,000).

4. Auditor's remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2012 £000	2011 £000
Audit of the Group financial statements	**45**	42
Other fees to auditors: – auditing the accounts of subsidiaries	**10**	10
– non audit services	**5**	5

5. Amounts paid for Directors' services, and staff costs

	2012 £000	2011 £000
Amounts paid for Directors' services		
Amounts paid for Directors' services	**1,607**	1,275

The amounts paid for Directors' services during the year are disclosed in further detail in the Directors' Report on page 8.

Staff costs		
Wages and salaries(1)	**626**	597
Social security costs	**49**	47
	675	644

(1) Excludes amounts paid for Directors' services.

The average monthly number of employees during the year was:

	2012 Number	2011 Number
Exploration and evaluation	**57**	62
Administration	**11**	11
	68	73

Notes to the Consolidated Financial Statements (continued)

6. Exceptional items

	2012 £000	2011 £000
Profit on sale of investments	**1,107**	497
Impairment of investments	**(849)**	–
Profit on sale of subsidiary	**–**	1,199
	258	1,696

Profit on sale of investments
During the year a profit of £1,107,000 was made on the disposal of available-for-sale financial assets (2011: £497,000).

Impairment of investments
An impairment charge of £849,000 was recorded during the year ended 30 June 2012 in relation to the decline in market value of listed investments held by the Group (2011: nil).

Profit on sale of subsidiary
There were no subsidiaries sold during the year ended 30 June 2012. In the comparative year the Group sold its interest in GCM Africa Uranium Limited for a profit of £1,199,000.

7. Finance revenue

	2012 £000	2011 £000
Dividends received	**1,496**	2,244
Bank interest receivable	**2**	12
	1,498	2,256

8. Taxation

Tax on loss on ordinary activities

	2012 £000	2011 £000
Tax charged/(credited) in the income statement		
UK corporation tax	**(128)**	(400)
Tax on ordinary activities	**(128)**	(400)
Origination and reversal of temporary differences	**2,045**	161
Change in tax rate	**221**	196
Total deferred tax	**2,138**	(43)
Tax charge/(credit) in the income statement	**2,138**	(43)
Tax relating to items charged outside the income statement		
Available-for-sale financial assets	**(2,270)**	(915)
Change in tax rate	**(84)**	(234)
Total deferred tax	**(2,354)**	(1,149)
Tax charge/(credit) in statement of changes in equity	**(2,354)**	(1,149)

Reconciliation of the tax charge in the income statement

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before tax	**(1,166)**	2,245
UK corporation tax @ 25.5% (2012) and 27.5% (2011)	**(297)**	617
Tax exempt income	**(412)**	(946)
Change in tax rate	**221**	196
Unrecognised deferred tax assets	**2,436**	86
Non-deductible expenditure	**190**	7
Other	**–**	(3)
Total tax expense/(credit) reported in the income statement	**2,138**	(43)

During the year the decrease in value of available-for-sale financial assets resulted in a decrease in deferred tax liabilities. The decrease in deferred tax liabilities was credited to equity. As deferred tax assets are only recognised up to the value of deferred tax liabilities, deferred tax assets amounting to £2,261,000 were de-recognised and charged to the income statement.

At 30 June 2012 tax losses for which a deferred tax asset was not recognised amounted to £5,871,000 (2011: £33,000). Deferred tax assets are only recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, will arise.

Deferred tax

The deferred tax included in the balance sheet is as follows:

	2012 £000	2011 £000
Deferred tax asset		
Tax losses carried forward	**1,401**	1,387
Impairment	**1,330**	1,220
Other	**1**	2
	2,732	2,609
Less: deferred tax assets de-recognised	**(2,261)**	–
	471	2,609
Deferred tax liability		
Revaluation of available-for-sale financial assets	**471**	2,825
	471	2,825
Disclosed on the balance sheet		
Deferred tax asset	**–**	–
Deferred tax liability	**–**	216
	–	216

Notes to the Consolidated Financial Statements (continued)

The deferred tax included in the income statement is as follows:

	2012 £000	2011 £000
Tax loss for the year carried forward	**(128)**	(400)
De-recognise tax deferred assets	**2,261**	–
Change in tax rate	**221**	196
Impairment	**(216)**	–
Reversal of temporary differences on sale of investments	**–**	164
Other	**–**	(3)
Deferred income tax expense/(credit)	**2,138**	(43)

The reduction in the rate of corporation tax from 26% to 24% from 1 April 2012 was enacted during the year and has been fully incorporated into the accounts.

A further reduction to 23% was enacted when the Finance Act 2012 received Royal Assent on 17 July 2012. In addition, the UK government has announced its intention to reduce the UK corporation tax rate to 22% by 1 April 2014. As the 23% rate had not been substantively enacted at the balance sheet date it has no effect on current or deferred tax liabilities in these accounts.

9. Earnings per share

	2012 £000	2011 £000
(Loss)/profit for the year	**(3,304)**	2,288

	Thousands	Thousands
Weighted average number of shares		
Number of shares with voting rights	**51,067**	51,039
Dilutive potential ordinary shares:		
– Options	**2,329**	1,920
– Conditional shares	**1,365**	1,521
Weighted average number of shares	**54,761**	54,480
(Loss)/earnings per share		
Basic (pence per share)	**(6.5p)**	4.5p
Diluted (pence per share)	**(6.5p)**	4.2p

The diluted earnings per share for the year ended 30 June 2012 is the same as basic earnings per share as the Group made a loss.

10. Cash and cash equivalents

	2012 £000	2011 £000
Cash at bank and in hand	**353**	547

11. Receivables

	2012 £000	2011 £000
Security deposits	**21**	21
Prepayments and accrued income	**260**	328
Other receivables	**22**	336
	303	685

12. Property, plant and equipment

	Buildings £000	Plant and equipment £000	Vehicles £000	Total £000
Cost				
At 1 July 2010	77	354	34	465
Additions	–	6	–	6
Disposals	–	(55)	(16)	(71)
At 30 June 2011	77	305	18	400
Additions	–	7	–	7
At 30 June 2012	**77**	**312**	**18**	**407**
Depreciation				
At 1 July 2010	(35)	(284)	(30)	(349)
Depreciation during the year	(3)	(36)	(3)	(42)
Disposals	–	55	15	70
At 30 June 2011	(38)	(265)	(18)	(321)
Depreciation during the year	(2)	(18)	–	(20)
At 30 June 2012	**(40)**	**(283)**	**(18)**	**(341)**
Net book value at 30 June 2012	**37**	**29**	**–**	**66**
Net book value at 30 June 2011	39	40	–	79

13. Intangible assets

	Exploration & evaluation expenditure £000	Mineral rights £000	Total £000
At 1 July 2010	28,618	1,147	29,765
Additions – exploration & evaluation	3,023	–	3,023
At 30 June 2011	31,641	1,147	32,788
Additions – exploration & evaluation	1,937	–	1,937
Expenditure written off	(267)	–	(267)
Cost and net book value at 30 June 2012	**33,311**	**1,147**	**34,458**
Cost and net book value at 30 June 2011	31,641	1,147	32,788

The mineral rights will be amortised over the licence period (including extensions) once commercial production commences at the Phulbari Coal Project.

The exploration and evaluation expenditure will have an indefinite useful life until approval is obtained for the Phulbari Coal Project. At that time, the asset will be transferred to mining property and development assets within property, plant and equipment in accordance with the accounting policy.

Notes to the Consolidated Financial Statements (continued)

14. Financial assets

	2012 £000	2011 £000
Available-for-sale investments		
Listed equity investments	**7,228**	18,000
	7,228	18,000

Listed equity investments are valued at the closing price as at balance sheet date.

Principal undertakings
Principal investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of incorporation	Ownership interest 2012	2011
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
South African Coal Limited	England & Wales	**100%**	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	**37%**	37%

The investment in PeoplesTel has been accounted for as an available-for-sale financial asset as GCM does not have significant influence. The investment was fully impaired during the year ended 30 June 2010.

15. Payables

	2012 £000	2011 £000
Trade and other payables	**446**	356

16. Commitments

Operating lease commitments
The Group has entered into operating leases on land and buildings, vehicles and office equipment. The duration of the leases are between 1 and 5 years. Future minimum rentals on these operating leases are as follows:

	2012 £000	2011 £000
Operating leases expiring:		
Within one year	**371**	322
After one year but not more than five years	**436**	594
	807	916

In addition, under the terms of the Prospecting Licence agreement with the Bangladesh authorities for contract licence areas B, G and H respectively, an annual fee of 100 Taka (£0.84 at year-end exchange rate) is payable for each hectare within the licence area. The Group currently leases 5,480 hectares within these licence areas. The licence has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at GCM's option.

17. Authorised and issued share capital

	2012 Thousands	2011 Thousands	2012 £000	2011 £000
Authorised				
Ordinary shares of 10p each	**200,000**	200,000	**20,000**	20,000
Allotted, called up and fully paid				
At 1 July	**51,047**	51,030	**5,105**	5,103
Shares issued	**49**	17	**5**	2
At 30 June	**51,096**	51,047	**5,110**	5,105

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

During the year a company, in which Greg James has a beneficial interest, subscribed for 23,750 shares. In addition, a company in which David Weill has a beneficial interest, subscribed for 25,000 during the year. The consideration of the issue shares was equal to the market price on the day of purchase, in accordance with the contracts between the respective companies and GCM for the provision of their services.

Reserves

Share capital

The balance held in share capital relates to the nominal net proceeds on issue of the Company's equity share capital, comprising £0.10 ordinary shares.

Share premium account

The share premium account represents the premium received over the nominal value of ordinary shares on issue of the Company's equity. The share premium account has been reduced by expenditure associated with issuing shares such as listing costs.

Other reserves

This reserve records the equity component of options and conditional shares awarded which have not yet been settled. It also includes unrealised fair value changes on available-for-sale investments, net of deferred tax.

	2012 £000	2011 £000
Share based payments not settled	**1,316**	1,805
Net movement in available-for-sale financial assets	**1,490**	8,040
	2,806	9,845

Notes to the Consolidated Financial Statements (continued)

18. Share based payments

The charge/(credit) for share based payments during the year is shown in the following table:

	2012 £000	2011 £000
Charged to the income statement		
Modified options	**425**	–
New options	**318**	–
Existing options not vested	**1**	2
	744	2
Charged/(credited) to intangibles		
Conditional shares	**(524)**	461
Modified options	**35**	–
	(489)	461

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

New options

2,080,000 options were granted during the year ended 30 June 2012 (2011: nil). The fair value of the options granted was £0.09 per option, for a cost of £318,000. As there were no vesting conditions, the cost was immediately expensed to the income statement.

The fair value of options at the grant date was determined using the Black-Scholes model. The following table lists the inputs to the model:

Grant date	20 April 2012
Share price at grant date	£0.68
Vesting period	None
Expected term	1.52 years
Risk free rate	0.5%
Expected volatility	72%
Expected dividend yield	0%

Modified options

To ensure that share options remain exercisable and reflect market conditions, the following modifications to options were made during the year:

Date	Modification	Options Thousands	Cost of modification £000
7 September 2011	Extension of exercise period to 29 November 2014	1,620	395,000
7 September 2011	Extension of exercise period to 29 November 2012	200	15,000
20 April 2012	Reduced exercise price to £1.00	620	31,000
20 April 2012	Reduced exercise price to £1.00 & extended exercise period to 29 November 2014	200	19,000
			460,000

As there were no vesting conditions, £425,000 was immediately expensed to the income statement and £35,000 was capitalised to intangibles, being directly attributable to the Phulbari Coal Project. The cost for each modification was calculated by comparing the fair value of the modified option to the fair value of the original option at the date of modification. The fair value was determined using the Black-Scholes model. The following table lists the weighted average inputs to the model.

	Original terms	Modified terms
Exercise price	£1.35	£1.24
Vesting period	None	None
Expected term	0.51 years	1.45 years
Risk free rate	0.57%	0.57%
Expected volatility	88%	77%
Expected dividend yield	0%	0%

Movement in options
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2012 Options Thousands	2012 WAEP	2011 Options Thousands	2011 WAEP
At 1 July	**1,920**	**£1.31**	1,920	£1.31
Options granted	**2,080**	**£1.00**	–	–
Outstanding at 30 June	**4,000**	**£1.08**	1,920	£1.31
Exercisable at 30 June	**3,900**	**£1.08**	1,820	£1.35

The options outstanding at 30 June 2012 have an exercise price in the range of £0.66 to £1.35 (2011: £0.66 to £1.35) and a weighted average contractual life of 2.6 years (2011: 0.5 years).

Conditional shares scheme
GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by IFRS 2.

Movement in non-vested conditional shares:

	2012 Thousands	2011 Thousands
At 1 July	**1,535**	1,335
Granted	**–**	200
Forfeited	**(710)**	–
30 June	**825**	1,535

Notes to the Consolidated Financial Statements (continued)

The grant details of the conditional shares outstanding as at 30 June 2012 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	140
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	640
		825

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2012 is £1,222,000 (2011: £1,746,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

The reduction in the cost of conditional shares amounting to £524,000 for the year ended 30 June 2012 is directly attributable to the Phulbari Coal Project, and accordingly credited to intangibles on this basis (2011: increase of £461,000).

Share based payment for services

During the year the Company entered into a consultancy contract whereby the consideration for services comprised a fixed monthly fee payable in cash and the potential for a success bonus, to be satisfied by the issue of ordinary shares, for nil consideration, conditional on the consultant's direct involvement in achieving certain milestones. The number of shares to be issued was a maximum of 5% of the dilutive issued share capital of the Company, less a deduction to reflect the value of monthly fees already paid as at the time of vesting. In accordance with IFRS 2, share based payments to non-employees are recognised as services are rendered and to the extent that vesting is probable. As at the balance sheet date, no entitlement to shares existed. Subsequent to the year end the consultancy contract has been terminated without the aforementioned milestones having been achieved. Accordingly entitlement to any bonus has lapsed.

19. Financial Instruments

The Group holds cash as a liquid resource and listed equity investments to fund the obligations of the Group.

The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and periodic review of expenditure forecasts.

The Group's strategy for equity investments is to invest in companies where the Board identifies opportunities to create value for our shareholders by applying the experience and expertise of GCM's management team. Investments shall be realised when funds are required or when the Board sees fulfilment of its value expectations. GCM monitors the share prices of its listed equity investments and the underlying liquidity.

The Group has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however it does review its currency exposures on a regular basis. The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Interest rate risk

The interest rate maturity profile of the financial assets of the Group is as follows:

	2012 £000	2011 £000
Floating rate – within 1 year		
Cash and cash equivalents	**20**	469
Receivables – security deposits	**21**	21

Other financial instruments of the group are non-interest bearing and are therefore not subject to interest rate risk.

Equity price risk

The Group holds listed equity investments classified as available-for-sale. The equity investments are listed on the London Stock Exchange Alternative Investment Market (AIM), the Toronto Stock Exchange, the Australian Stock Exchange and the Johannesburg Stock Exchange. Accordingly sensitivity analysis, in respect of listed equity investments, is based on the assumption that if the respective market increased/decreased by 10%, the equity share price of the relevant companies would move according to the historical correlation with the market it is listed on.

	Change in market index %	Effect on profit after tax £000	Effect on equity £000
2012	**10%**	**–**	**441**
	(10%)	**(97)**	**(441)**
2011	10%	–	961
	(10%)	–	(961)

Credit risk

The Group considers the credit ratings of banks in which it holds funds in order to manage exposure to credit risk.

Liquidity risk

The Group ensures that it has sufficient cash to meet all its commitments when required. The table below summarises the contractual maturity profile of the Group's financial liabilities as at 30 June 2012 and 2011.

	Within 30 days £000	1 to 3 months £000	3 to 12 months £000	Total £000
2012				
Payables	**226**	**75**	**145**	**446**
2011				
Payables	277	64	15	356

Currency risk

The Group has no significant monetary assets or liabilities that are denominated in a foreign currency.

Fair values of financial assets and liabilities

	Financial instrument classification	Book value 2012 £000	Book value 2011 £000	Fair value 2012 £000	Fair value 2011 £000
Financial assets					
Cash and cash equivalents		**353**	547	**353**	547
Receivables	Loans and receivables	**303**	357	**303**	357
Listed equity investments	Available-for-sale	**7,228**	18,000	**7,228**	18,000
Financial liabilities					
Creditors	Amortised cost	**446**	356	**446**	356

Notes to the Consolidated Financial Statements (continued)

Fair value hierarchy

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2012: Available-for-sale financial assets				
Listed equity investments	7,228	–	–	7,228
Unlisted equity investment	–	–	–	–
	7,228	–	–	7,228
2011: Available-for-sale financial assets				
Listed equity investments	18,000	–	–	18,000
Unlisted equity investment	–	–	–	–
	18,000	–	–	18,000

Unlisted equity investment is categorised in level 3 of the fair value hierarchy and has been recorded at the lower of cost and net realisable value, as fair value is not capable of reliable measurement.

20. Contingent liabilities

The Group is obliged to pay Deepgreen Minerals Corporation Pty Limited US$1 per tonne of coal produced and sold from the Phulbari mine. The Directors are of the opinion that a provision is not required in respect of these matters, as the amount is not capable of reliable measurement.

21. Related Party Transactions

Key management personnel

	2012 £000	2011 £000
Short-term benefits	1,756	1,448
Share based payments	647	167
	2,403	1,615

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the Group financial statements of GCM Resources plc for the year ended 30 June 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities statement set out on page 11, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of mining assets
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks" section of note 1 to the financial statements concerning the significant uncertainty over the recoverability of the intangible exploration assets. GCM has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, intangible assets included in the balance sheet at £34,458,000 would be fully impaired. The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the intangible exploration assets in the financial statements.

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report (continued)

Other matter
We have reported separately on the parent company financial statements of GCM Resources plc for the year ended 30 June 2012.That report includes emphasis of matter paragraphs.

Steven Dobson
Senior statutory auditor

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

21 November 2012

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GCM Resources plc

Company Financial Statements 2012

Statement of Directors Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company´s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company Balance Sheet

As at 30 June

	Notes	2012 £000	2011 £000
Fixed assets			
Tangible assets	5	**10**	7
Investments	6	**4,618**	5,956
Loans to subsidiaries	7	**34,778**	34,133
		39,406	40,096
Current assets			
Debtors	7	**97**	440
Current asset investments	8	**21**	21
Cash at bank and in hand		**317**	530
		435	991
Creditors: amounts falling due within one year	9	**(258)**	(209)
Net current assets		**177**	782
Total assets less current liabilities		**39,583**	40,878
Net assets		**39,583**	40,878
Capital and reserves			
Called up share capital account	11	**5,110**	5,105
Share premium account	12	**44,246**	44,217
Other reserves	12	**1,316**	1,805
Profit and loss account	12	**(11,089)**	(10,249)
Equity shareholders' funds		**39,583**	40,878

Gerard Holden
Chairman

21 November 2012

Notes to the Company Financial Statements

1. Accounting policies

GCM Resources plc was incorporated as a Public Limited Company on 26 September 2003 and admitted to the London Stock Exchange Alternative Investment Market (AIM) on 19 April 2004.

The financial report was authorised for issue by the Directors on 21 November 2012.

Basis of preparation of financial statements

The company financial statements of GCM Resources plc are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

No profit and loss account is presented for GCM Resources plc as permitted by section 408 of the Companies Act 2006.

Political and economic risks

The Company's wholly owned subsidiary, Asia Energy Corporation (Bangladesh) Pty Limited (AECB), controls the Phulbari Coal Project (the Project), the principal asset of the Company and its subsidiaries (the Group). The Project is in Bangladesh and accordingly subject to the political, judicial, fiscal, social and economic risks associated with operating in that country.

The Project relates to thermal coal and semi-soft coking coal, which are subject to international and regional supply and demand factors, and consequently future performance will be subject to variations in the prices for these products.

AECB is party to a Contract with the Government of Bangladesh which gives it the right to explore, develop and mine in respect of the licence areas. The Group holds a mining lease and exploration licences in the Phulbari area covering the prospective mine site. The mining lease has a 30 year term from 2004 and may be renewed for further periods of 10 years each, at AECB's option.

In accordance with the terms of the Contract, AECB submitted a combined Feasibility Study and Scheme of Development report on 2 October 2005 to the Government of Bangladesh. Approval from the Government of Bangladesh is necessary to proceed with development of the mine. AECB continues to await approval.

No notification has been received from the Government of Bangladesh of any changes to the terms of the Contract. GCM has received legal opinion that the Contract is enforceable under Bangladesh and International law, and will consequently continue to endeavour to receive approval for development.

The Directors are confident that the Phulbari Coal Project will ultimately receive approval, although until that approval is received there is significant uncertainty over the recoverability of the assets relating to the Project. The Directors consider that it is appropriate to continue to record the investment in Asia Energy Corporation (Bangladesh) Pty Limited and related inter-company balances at cost. However if for whatever reason the Scheme of Development is not ultimately approved, the Company would be required to impair its investment and related inter-company balances totalling £37,200,000 at 30 June 2012.

Going concern

GCM relies on its current resources to fund its operating activities, and has no debt or other financial obligations, other than those disclosed in note 10. As at 20 November 2012, GCM held cash of £309,000 and listed equity investments of £1,915,000. For at least the next twelve months, the Company's activities will be funded by cash and the realisation of listed equity investments held. However the resources available are subject to uncertainty due to the possible movement in share prices of those investments by the time they are realised, which represents a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. In addition the Company is in discussions to obtain further equity funding.

Projections of future costs for a number of scenarios leading to approval, financing and development of the Phulbari Coal Project have been prepared and, taking into account a number of factors including the liquidity and volatility of GCM's listed investments as well as prospective funding, the Directors have satisfied themselves that the Company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. The financial statements do not include the adjustments that would be required if the Company was unable to continue as a going concern.

Tangible fixed assets

All fixed assets are stated at cost less accumulated depreciation and impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life as follows:

Office furniture and equipment	–	over 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are recorded at the lower of cost or recoverable amount.

Deferred tax

The tax charge is based on the profit for the period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation purposes and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future. In particular:

- deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account, with the exception of foreign currency differences directly attributable to exploration and evaluation activities, which are capitalised.

Share based payments

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the recipients become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) or to conditions not related to performance or service (non-vesting conditions).

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market or non-vesting conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. This includes any award where non-vesting conditions within the control of the Group or the employee are not met. Where the equity-settled share based payment is directly attributable to exploration and evaluation activities, the movement in cumulative expense since the previous balance sheet date is capitalised, with a corresponding entry in equity. Otherwise, the movement in cumulative expense is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

2. Result of the parent company

The parent company recorded a £1,584,000 loss for year ended 30 June 2012 (2011: profit of £2,224,000).

3. Auditor's remuneration

The Company paid the following amounts to its auditors in respect of the audit of the Company financial statements.

	2012 £000	2011 £000
Audit of the Company financial statements	**10**	10

4. Unrecognised deferred tax assets

	2012 £000	Movement for the year £000	2011 £000
Deferred tax assets			
Tax losses	**1,373**	(69)	1,442
Share based payments	**–**	(217)	217
Impairment of investments	**1,330**	110	1,220
Accelerated capital allowances	**–**	(2)	2
	2,703	(178)	2,881

As at 30 June 2012 the deferred tax asset amounting to £2,703,000 was not recognised (2011: £2,881,000). Deferred tax assets will be recognised should it become more likely than not that taxable profit or timing differences, against which they may be deducted, arise. In the event of disposal of revalued assets, there would be no tax payable.

Notes to the Company Financial Statements (continued)

5. Tangible assets

	Office furniture and equipment £000
Cost	
Opening balance	44
Additions	7
At 30 June 2012	**51**
Depreciation	
Opening balance	(37)
Provided during the period	(4)
At 30 June 2012	**(41)**
Net book value at 30 June 2012	**10**
Net book value at 30 June 2011	7

6. Investments

	Subsidiary under-takings £000	Listed equity investments £000	Total £000
Cost			
Opening balance	3,155	2,801	5,956
Reductions	(489)	–	(489)
Impairment	–	(849)	(849)
As at 30 June 2012	2,666	1,952	4,618
Net book value at 30 June 2012	**2,666**	**1,952**	**4,618**
Net book value at 30 June 2011	3,155	2,801	5,956

The cost of conditional shares is capitalised as an investment in the Company's subsidiary. The effect for the current year is the reduction of £489,000 (2011: addition of £461,000). An impairment charge of £849,000 was recorded during the year ended 30 June 2012 in relation to the decline in market value of listed investments held by the Company (2011: nil).

The principal investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

	Country of incorporation	Ownership interest 2012	2011
Subsidiaries			
Asia Energy Corporation (Bangladesh) Pty Limited	Australia	**100%**	100%
South African Coal Limited	England & Wales	**100%**	100%
Available-for-sale financial asset			
Peoples Telecommunication and Information Services Ltd (PeoplesTel)	Bangladesh	**37%**	37%

7. Debtors

	2012 £000	2011 £000
Current debtors		
Other debtors	**22**	333
Prepayments and accrued income	**75**	107
	97	440
Non-current debtors		
Amounts due from subsidiaries	**34,778**	34,133
	34,778	34,133

The amount receivable in non-current debtors relates to wholly owned subsidiaries. A repayment schedule has not been agreed between the companies.

8. Current asset investments

	2012 £000	2011 £000
Security deposits	**21**	21

Security deposits represent rental deposits on premises in the United Kingdom.

9. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade and other payables	**258**	209

10. Commitments

Operating lease commitments

The Company has entered into operating leases on buildings and office equipment. These leases have a duration or between 1 and 3 years. Annual commitments under these operating leases are as follows:

	2012 £000	2011 £000
Operating leases expiring:		
Within one year	**41**	40
After one year but not more than five years	**2**	7
	43	47

11. Authorised share capital

	2012 Thousands	2011 Thousands	2012 £000	2011 £000
Authorised				
Ordinary shares of 10p each	**200,000**	200,000	**20,000**	20,000
Allotted, called up and fully paid				
At 1 July	**51,047**	51,030	**5,105**	5,103
Shares issued	**49**	17	**5**	2
At 30 June	**51,096**	51,047	**5,110**	5,105

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Notes to the Company Financial Statements (continued)

During the year a company, in which Greg James has a beneficial interest, subscribed for 23,750 shares. In addition, a company in which David Weill has a beneficial interest, subscribed for 25,000 during the year. The consideration of the issue shares was equal to the market price on the day of purchase, in accordance with the contracts between the respective companies and GCM for the provision of their services.

12. Reserves

	Share capital £000	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 July 2011	5,105	44,217	1,805	(10,249)	40,878
Shares issued	5	29	–	–	34
Share based payments	–	–	(489)	744	255
Loss for the financial year	–	–	–	(1,584)	(1,584)
Balance at 30 June 2012	**5,110**	**44,246**	**1,316**	**(11,089)**	**39,583**

13. Share based payments

The charge/(credit) for share based payments during the year is shown in the following table:

	2012 £000	2011 £000
Charged to the income statement		
Modified options	**425**	–
New options	**318**	–
Existing options not vested	**1**	2
	744	2
Charged/(credited) to investment in subsidiaries		
Conditional shares	**(524)**	461
Modified options	**35**	–
	(489)	461

Options

Options are issued to incentivise Directors and other senior executives. When an option vests the option holder is entitled to receive one ordinary share per option upon exercise. All options are equity-settled.

New options

2,080,000 options were granted during the year ended 30 June 2012 (2011: nil). The fair value of the options granted was £0.09 per option, for a cost of £318,000. As there were no vesting conditions, the cost was immediately expensed to the income statement.

The fair value of options at the grant date was determined using the Black-Scholes model. The following table lists the inputs to the model:

Grant date	20 April 2012
Share price at grant date	£0.68
Vesting period	None
Expected term	1.52 years
Risk free rate	0.5%
Expected volatility	72%
Expected dividend yield	0%

Modified options
The following modifications to options were made during the year:

Date	Modification	Options Thousands	Cost of modification £000
7 September 2011	Extension of exercise period to 29 November 2014	1,620	395,000
7 September 2011	Extension of exercise period to 29 November 2012	200	15,000
20 April 2012	Reduced exercise price to £1.00	620	31,000
20 April 2012	Reduced exercise price to £1.00 & extended exercise period to 29 November 2014	200	19,000
			460,000

As there were no vesting conditions, £425,000 was immediately expensed to the income statement and £35,000 was capitalised to the investment in subsidiaries. The cost for each modification was calculated by comparing the fair value of the modified option to the fair value of the original option at the date of modification. The fair value was determined using the Black-Scholes model. The following table lists the weighted average inputs to the model.

	Original terms	Modified terms
Exercise price	£1.35	£1.24
Vesting period	None	None
Expected term	0.51 years	1.45 years
Risk free rate	0.57%	0.57%
Expected volatility	88%	77%
Expected dividend yield	0%	0%

Movement in options
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2012 Options Thousands	2012 WAEP	2011 Options Thousands	2011 WAEP
At 1 July	**1,920**	**£1.31**	1,920	£1.31
Options granted	**2,080**	**£1.00**	–	–
Outstanding at 30 June	**4,000**	**£1.08**	1,920	£1.31
Exercisable at 30 June	**3,900**	**£1.35**	1,820	£1.35

The options outstanding at 30 June 2012 have an exercise price in the range of £0.66 to £1.35 (2011: £0.66 to £1.35) and a weighted average contractual life of 2.6 years (2011: 0.5 years).

Conditional shares scheme
GCM has a conditional share scheme for Directors, employees, associates, consultants and contractors. Ordinary shares will be issued for nil consideration, conditional upon the Group achieving milestones including approval by the Government of Bangladesh of the Scheme of Development for the Phulbari Coal Project. The awards granted are classified as equity-settled, and therefore the fair value is determined by reference to the share price at the date of the grant, as required by FRS 20.

Movement in non-vested conditional shares:

	2012 Thousands	2011 Thousands
At 1 July	**1,535**	1,335
Granted	**–**	200
Forfeited	**(710)**	–
30 June	**825**	1,535

Notes to the Company Financial Statements (continued)

The grant details of the conditional shares outstanding as at 30 June 2012 are as follows:

	Share price at grant date £	Conditional shares Thousands
Grant date		
25 August 2005	£6.32	140
9 March 2006	£4.99	30
1 December 2007	£0.81	15
16 July 2009	£0.84	640
		825

The cumulative cost recognised in equity in relation to the conditional shares as at 30 June 2012 is £1,222,000 (2011: £1,746,000) after taking into account:

- Expected timeframe for milestones to be achieved
- Probability of successful completion of milestones
- The conditional shares awarded to employees are subject to their employment at the time milestones are reached

Share based payment for services
During the year the Company entered into a consultancy contract whereby the consideration for services comprised a fixed monthly fee payable in cash and the potential for a success bonus, to be satisfied by the issue of ordinary shares, for nil consideration, conditional on the consultant's direct involvement in achieving certain milestones. The number of shares to be issued was a maximum of 5% of the dilutive issued share capital of the Company, less a deduction to reflect the value of monthly fees already paid as at the time of vesting. In accordance with FRS 20, share based payments to non-employees are recognised as services are rendered and to the extent that vesting is probable. As at the balance sheet date, no entitlement to shares existed. Subsequent to the year end the consultancy contract has been terminated without the aforementioned milestones having been achieved. Accordingly entitlement to any bonus has lapsed.

14. Related Party Transactions

In accordance with FRS8 Related Party Disclosures transactions with wholly owned subsidiaries have not been disclosed.

Independent Auditor's Report

To the members of GCM Resources plc

We have audited the Parent Company financial statements of GCM Resources plc for the year ended 30 June 2012 which comprise the Company Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities statement set out on page 36, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – recoverability of investment and inter-company loan
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure set out in the "Political and economic risks" section of note 1 to the Parent Company financial statements concerning the significant uncertainty over the recoverability of the Company's investment in Asia Energy Corporation (Bangladesh) Pty Limited and certain inter-company balances. Asia Energy Corporation (Bangladesh) Pty Limited has been awaiting approval for the development of the mine at Phulbari since submission of the Scheme of Development on 2 October 2005. The timing of approval remains uncertain. If for whatever reason the Scheme of Development is not ultimately approved, the investment and inter-company balances included in the Parent Company balance sheet with a carrying value totalling £37,200,000 would be fully impaired. The ultimate outcome of these matters cannot be presently determined and no impairment has been recorded in respect of the Company's investment and the inter-company balances in the financial statements.

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Parent Company's ability to continue as a going concern. The conditions as explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Parent Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report (continued)

Other matter

We have reported separately on the Group financial statements of GCM Resources plc for the year ended 30 June 2012. That report includes emphasis of matter paragraphs.

Steven Dobson
Senior statutory auditor

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

21 November 2012

*The maintenance and integrity of **GCM Resources plc's** web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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